

8 March 2010

BUY
RM0.96

Target Price: RM1.22

Stock data

Market cap (RMm):	358.12
Issued shares (m):	375.0
52-week range:	RM0.403-RM1.05
3-mth avg daily volume:	272,716shrs
Bloomberg code:	PGHB MK
YTD price chg:	+5.52%
YTD KLCI chg:	+2.12%
Est. free float:	%48.5%
Major shareholders:	
<i>CTL Capital Hldgs S/B:</i>	22.5%
<i>GL Mgmt Agency S/B:</i>	16.6%
<i>Koperasi Permodalan</i>	12.4%
<i>Felda Bhd:</i>	

KLCI	FBM70	FBM100	Syariah	Hijrah
No	No	No	Yes	No

Consensus

FYE 28 Feb	2010E	2011E
Net profit (RMm):	52.9	60.9
EPS (sen):	14.3	16.3

Forecast revision

FYE 28 Feb	2010E	2011E
Prev. net profit (RMm):		
Revision (%):	-	-
Prev. net profit (RMm):		

Share price chart

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Pantech Group Holdings

Saudi Tie-Up Finally Up

Pantech announced last week that they will enter into a MOU with Abdul Rahman Al-Otaishan Trading Group ("AROT"), today (8 March 2010) leading to a JV company being set-up in Saudi Arabia to identify potential opportunities for Pantech's products in Saudi Arabia and AROT's services/products in Malaysia. Post MOU they will seek for a site to set-up their factory.

- **Expected a 49:51 JV** with management guiding Pantech to have the minority stake at 49%. First phase of the factory, with 6,000MT capacity, costing Pantech c. Saudi Riyal (SR) 7.35m (RM6.6m), should be up and running by FY11.
- **Venture finally fulfilled.** Recall, Pantech has been in talks with a Saudi counterparty since 2008 and we are very positive that the venture is finally seeing light. The tie-up will gain Pantech access to Saudi Aramco's projects. Based on Upstream Online (1 Feb 2010), Saudi Aramco plans to invest around USD120 billion over the next five to six years in developing projects in the oil and petrochemicals sectors. No guidance as yet, on the tentative order numbers or outlook at this juncture.
- **Maintain BUY and TP of RM1.22** Earnings estimates unchanged for now given the venture is still in its preliminary stage. Our fair valuation is based on FY11 basic EPS of 17.5sen and 7x PER. Further earnings catalyst to the stock is the 1) new manufacturing division - Pantech Stainless & Alloy Industries S/B and 2) entrance into the European Union (EU). The stock is currently trading at an attractive valuation of 5.5x PER for FY11, a significant discount to its oil and gas peers.

Earnings Estimates

FYE: 28 Feb (RMm)	2007	2008A	2009A	2010E	2011E
Revenue	90.6	313.3	511.6	507.3	580.3
Pretax profit (RMm)	28.4	45.0	82.0	78.3	88.6
Net profit (RMm)	26.8	34.1	61.5	57.9	65.6
Net profit growth (%)	13.4%	27.6%	80.0%	-5.7%	13.2%
Basic EPS	7.1	9.1	16.4	15.4	17.5
Basic EPS growth (%)	13.4%	27.6%	80.0%	-18.0%	13.2%
DPS (sen)	0.9	1.5	3.0	3.0	3.0
NTA/share (RM)	0.3	0.4	0.5	0.7	0.8
Net Equity (x)/(Debt)	(0.6)	(0.7)	(0.6)	(0.5)	(0.4)
PER (x)	13.4	10.5	5.8	6.2	5.5
P/NTA (x)	3.0	2.4	1.8	1.5	1.2
Div. Yield (%)	0.9%	1.5%	3.1%	3.1%	3.1%
EV/EBITDA (x)	13.6	8.2	5.0	5.0	4.5
ROAE (%)	45.4%	25.8%	35.5%	26.0%	24.0%

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